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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001096

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SUBJECT: DIRECTOR'S INTRODUCTORY CALL ON LEGISLATIVE YUAN  
PRESIDENT WANG JIN-PYNG, MARCH 28, 2006

Classified By: AIT Director Stephen M. Young. Reason(s): 1.4 (B/D).

¶1. (C) Summary: Taiwan's current political climate makes a breakthrough on the arms procurement issue unlikely in the very near term, LY President Wang Jin-pyng told the Director on March 28. However, all parties "will likely agree" to purchase P-3C anti-submarine aircraft and increase Taiwan's defense budget to three percent of GDP when the issue is taken up at some point after PRC President Hu Jintao's April visit to the U.S. Wang stressed the importance of improving cross-Straits relations for Taiwan's "economic survival." He also urged the U.S. to negotiate an FTA with Taiwan. The Director stressed the importance for Taiwan to improve inter-party cooperation, especially on defense issues, and he also noted that the U.S. will be sending a high-level delegation to Taiwan in May for TIFA discussions. End Summary.

¶2. (C) The Director paid an initial call on Legislative Yuan (LY) President Wang Jin-pyng (Kuomintang) on March 28. The Director said that the U.S. and others admire Taiwan for its transition to democracy, and that Taiwan's government should now focus on increasing efficiency and improving "good governance" practices. Wang noted that Taiwan has studied and tried to emulate the United States in building its democracy.

¶3. (C) The Director said the U.S. hopes Taiwan's political parties will work through the distrust which now separates them, particularly on the issue of Taiwan's self-defense, so as to preclude China from taking advantage of Taiwan's internal divisions. The military gap between the PRC and Taiwan continues to grow, the Director pointed out, and an overwhelmingly strong China will not be good for cross-Straits stability as China may be tempted to dictate by threat of force Taiwan's future direction. The Director added that the U.S. military believes Taiwan should first and foremost upgrade its anti-submarine warfare capability by purchasing the P-3C anti-submarine aircraft.

¶4. (C) Wang acknowledged that Taiwan must assume greater responsibility for its own defense and also increase its inter-operability with American military forces. There has been progress on arms procurement, Wang asserted, since even People First Party Chairman James Soong, a former opponent of any arms purchase, now agrees to consider "reasonable" arms

procurement. It is likely that all parties in the LY will support increasing the defense budget to three percent of Taiwan's GDP, but the U.S. should be willing to offer Taiwan more modern weapons at a reasonable price, Wang said. Support within the LY is most widespread for the purchase of the P-3C ASW planes, he added, but the purchase of PAC-III missiles will have to remain on hold until the three-year ban imposed by the failed referendum expires in March 2007. Wang said he understands the importance of keeping Taiwan off the radar scope during the period before and after PRC President Hu Jintao's April visit to the United States and therefore the LY will wait until after Hu returns to China to take up arms procurement discussions.

15. (C) Although PRC discussions with KMT representatives are a positive development, the Director noted, the USG has repeatedly urged the PRC to talk directly with Taiwan's democratically elected leadership. Wang responded that such talks are unlikely because President Chen does not accept China's "one China" precondition and China does not trust Chen. Wang added that he has been unable to discuss cross-Straits affairs with President Chen since December 2005, following the DPP's defeat in local magistrate elections. The Director responded that there should be communication between the LY President and President Chen, especially since the moderate Wang can provide a different and useful perspective to the President.

16. (C) The Director told Wang that his overarching objective is to maintain and improve U.S.-Taiwan relations. After 9/11, the primary U.S. focus shifted to fighting global terrorism, he explained, but the U.S. remains committed to helping China develop into a peaceful, responsible global actor, and to preserve the right of Taiwan's democratic

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society to decide its own future.

17. (C) Wang suggested that China's continuing economic development will work to decrease tensions across the Strait, making military issues gradually less important. Improving relations with the PRC will help Taiwan's economy survive, he added. He claimed Taiwan is being "hollowed out" because Taiwan businesses are forced to move their factories and know-how to the Mainland in order to remain competitive in the PRC market. If there were direct shipping and transportation routes, Taiwan businesses could maintain manufacturing facilities on both sides of the Strait. In addition, Wang noted, Beijing currently works to exclude Taiwan from regional free trade agreements. If Taiwan were able to improve its relations with China, the PRC might be willing to let Taiwan participate in such agreements. Wang also said that Taiwan must develop a new strategy to attract foreign investment, since it can no longer compete with the PRC in most manufacturing sectors.

18. (C) Wang stressed the importance to Taiwan of a free trade agreement (FTA) with the U.S. and asserted that Taiwan had met the requirements to warrant an FTA. The Director said the U.S. would be sending a high-level trade delegation to Taiwan in May under the Trade and Investment Framework Agreement (TIFA) structure to conduct a comprehensive review of U.S.-Taiwan trade issues. FTA could be discussed then, but so would the full range of options to address outstanding trade problems.

19. (C) Comment: Wang comes across as a moderate willing to work with the DPP administration, though the track record of such cooperation in the LY is pretty spotty. Despite an agreement with his staff to keep this session private, Wang subsequently briefed the Taiwan media in detail, distorting the Director's comments on FTA and claiming falsely that we had encouraged him to serve as a mediator with China on cross-Straits issues. This all-too-typical experience underscores the hazards of working within the polarized internal Taiwan political community.

